

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE PASSTHROUGH MECHANISM OF)	CASE NO. 98-058
HENDERSON UNION ELECTRIC COOPERATIVE)	
CORPORATION AS BILLED FROM MAY 10, 1996)	
TO DECEMBER 31, 1997)	

O R D E R

On October 4, 1995, the Commission approved an environmental surcharge passthrough mechanism for Henderson Union Electric Cooperative Corporation ("Henderson Union") and ordered formal reviews of the operation of that mechanism to be conducted at six-month intervals in conjunction with the Commission's review of the operation of Big Rivers Electric Corporation's ("Big Rivers") environmental surcharge.¹ The purpose of these reviews are to: (1) disallow any surcharge amounts found to be unjust or unreasonable; (2) reconcile past surcharges with actual surcharge amounts charged by Big Rivers; and (3) reconcile any over- or under-recoveries which Henderson Union experiences. The Commission further ordered Henderson Union to maintain a

¹ Case No. 95-208, The Applications of Green River Electric Corporation, Henderson Union Electric Cooperative Corporation, Jackson Purchase Electric Cooperative Corporation, and Meade County Rural Electric Cooperative Corporation for Approval of Mechanisms to Flow Through Environmental Surcharges to be Charged by Their Wholesale Power Supplier, Big Rivers Electric Corporation, final Order dated October 4, 1995.

record of its over- and under-recoveries for examination during these periodic surcharge review proceedings.²

On June 26, 1997, the Commission approved a settlement agreement in Case No. 96-327³ which provided a comprehensive resolution of all issues related to Big Rivers' environmental surcharge. Under the terms of this settlement, Big Rivers was to refund \$1.6 million of previously collected surcharge revenues to its distribution cooperatives, to return all surcharge charges and credits billed to its distribution cooperatives after February 17, 1997, and to discontinue its surcharge. Big Rivers began the surcharge adjustments in July 1997 and completed them in October 1997.⁴

The Commission has previously reviewed the operation of Henderson Union's environmental surcharge passthrough mechanism as billed for the period November 10, 1995 through May 9, 1996.⁵ The Commission finds it necessary to review the mechanism's operation for the period since May 9, 1996. The Commission hereby initiates a review of the operation of Henderson Union's surcharge passthrough mechanism as billed from May 10, 1996 to December 31, 1997.

² Id. at 4-5; October 26, 1995 Order at 3.

³ Case No. 96-327, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Big Rivers Electric Corporation as Billed From October 1, 1995, to March 31, 1996, final Order dated June 26, 1997.

⁴ Letter from John J. West, Vice President of Finance, Big Rivers Electric Corporation to Helen Helton, Executive Director, Kentucky Public Service Commission, dated November 26, 1997.

⁵ Case No. 96-330, An Examination by the Public Service Commission of the Environmental Surcharge Passthrough Mechanism of Henderson Union Electric Cooperative Corporation as Billed From November 10, 1995 to May 9, 1996, final Order dated December 20, 1996.

IT IS THEREFORE ORDERED that:

1. Within 14 days of the date of this Order, Henderson Union shall file an original and 10 copies of the following information with the Commission, with copies to all parties of record:

a. "ES Form 2.0, Recap of Billing Factors and Revenue - Non-Dedicated Delivery Customers," as prescribed in Case No. 96-330, with any documentation necessary to support the amounts reported on the schedule.

b. Written testimony on the reasonableness of the operation of its environmental surcharge passthrough mechanism during the review period.

c. A reconciliation of the amounts returned to its customers under the terms of the Settlement Agreement in Case No. 96-327 with Big Rivers' Environmental Surcharge Report of November 26, 1997.

2. Henderson Union's monthly surcharge reports and supporting data for the review period are hereby incorporated by reference into the record of this case.

3. John J. West's letter of November 26, 1997 to Helen Helton and all attachments thereto are hereby incorporated by reference into the record of this case.

Done at Frankfort, Kentucky, this 30th day of January, 1998.

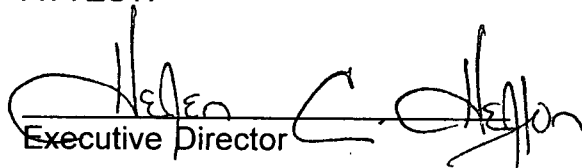
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director